(17)

SOME

LETTERS

Relating to the

BANK of *Scotland*,

Written by the Late

JOHN HOLLAND Esq;

Publish'd with *Explanatory Remarks*,
In a LETTER to the PROPRIETORS,
By *RICHARD HOLLAND* M.D.

LONDON,
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To the Right Honourable the GOVERNOR, DEPUTY-GOVERNOR, Directors *and* Proprietors *of the Bank of* SCOTLAND.

GENTLEMEN,

I Have the Honour to ſend you ſome valuable Papers wrote by my Father for the Benefit of the Bank and *Scots* Nation.

I can't better acknowledge our Obligations for your many Civilities, and do Juſtice to the Memory of that good Man, than by publiſhing theſe Letters; which I hope, with ſubmiſſion, if duly conſider'd, will be found of great Service not only to the Bank, but to the Kingdom in general.

I have often heard my Father admire the Ingenuity of the *Scotch* Gentlemen, who, though his Scheme was entirely new, and contrary to their Way of Thinking, never oppoſed it out of Humour, but as they heard Reaſon, aſſented; and aſſiſted Him in convincing Others.

This encourages me to hope they will be as ingenuous in conſidering theſe Papers; and being convinced by the Reaſons offered, will lay aſide their Apprehenſions and Fears of bad Conſequences from extending the Credit of the Bank.

You would eaſily believe me equal to this Undertaking, if you knew how frequently my Father and I have talk'd over this whole Affair.

Beſides that whilſt other People were engag'd in *South-Sea* and other Bubbles, We were employ'd in forming a Scheme, and drawing out Rules for the Management of a Bank in *Ireland*, on the ſame Foundation as this, *mutatis mutandis*; which would have been of vaſt Advantage to that Kingdom.

Mr. *Marjoribanks* gives Mr. *Holland* an Account of the *Edinburgh* Society, and writes that it would be very acceptable both to the Directors and Proprietors of the Bank, if He could offer any Thing that would ſecure the Bank againſt that or any ſuch like Undertaking.

I need ſay no more by way of Preface, but give you my Father's Letters as they were wrote to the Directors of the Bank on that occaſion. Gen-

Gentlemen, Breewood-Hall, March 25. 1720.

MR. Marjoribanks *wrote to me lately concerning the new Society that is ſetting up at* Edinburgh, *but till I know in what manner they will proceed, it may not be convenient to ſay what I deſign for the Security of our Bank; becauſe if they know it, they may be led thereby to alter their Scheme, ſo as to hinder in a great meaſure the good Effect of what I ſhall propoſe.*

By what Mr. Marjoribanks *writes me, I ſee plainly they deſign a Bank of Credit; but Mr.* Spence *writes, that they proteſt they have no Deſign to interfere with us, which I would not rely upon. The Bank of* England, *ſince the* South-Sea *Propoſal has been accepted by the Parliament, is very much altered, and their Intereſt with the Government will be leſs than formerly; and beſides their excluſive Clauſe (of which you have here a Copy) doth not extend to* Scotland. *So that I ſee little Oppoſition will be made by them to the Charter the* Edinburgh *Society are aiming at. And therefore,*

I would fit what I have to propoſe againſt the worſt that may be; that is, ſuppoſing them to obtain a Charter, and that thoſe concern'd are Perſons of great Credit, Subſtance, and Ingenuity; That they will have a conſiderable Stock, that they actually ſet up a Bank, and their Notes or Bills obtain Credit.

Yet even in this View of the Thing, I make no doubt of ſecuring to our Bank, not only ſo much Profit as they have had hitherto, but alſo a great deal more, at leſs than 100 l. *Charge; which I will pay any part of, more than what I ſhall pay of it in proportion to the Shares I have in the Bank.*

I desire you will direct your Secretary to write to me at large of this Project, and the Steps they make in it.

Mr. Marjoribanks *writes me, there has been some Offers made for an Union. If I had been with you upon that occasion, I would have made a Proposal that should be very advantageous to us, and they should be great Gainers by it, beyond whatever they can get by themselves if they obtain'd a Charter.* * * *

§. 3. *Or upon good Perſonal Security,*

§. 4. *Or on Securities by Land made over to the Bank:*

§. 5. *And in caſe any of the Securities we take ſhould prove defective, there is abundantly enough to make them good from the Profits or Intereſt ariſing from the reſt (for no Dividend can be made but of the clear Profits) and the whole* 100,000 l. *ſubſcribed is likewiſe a Security for the Bills.*

§. 6. *As the Security for our Bills is in reality very Good, ſo it is generally known to be ſo by all that deal with us.*

§. 7. *The Management of the Bank is alſo believed to be fair and honeſt, and the Kingdom hath had good proof of it ever ſince the firſt ſetting of it up.*

§. 8. *The Bank can run no hazard of any conſiderable Loſs, but by having a great Value in Specie at a time of publick Diſorder, and this may eaſily be prevented by paying all the Money out, as I was told was done in the time of the late Rebellion; and yet on any ſuch Occaſion, and if not a Shilling left in the Bank, our Bills would have a Currency from the Goodneſs of the Fund, as above-mentioned.*

§. 9. *The Borrowers from the Bank (and the more much the better) would ſupport the Credit of the Bills; and if Occaſion ſhould require, there might be call'd in from them* 10 *or* 12 per Cent. *of what they borrowed.*

§. 10. *From whence it will follow, if what I have mentioned be duly conſider'd,*

§. 11. *That we may, without any hazard, lend as much as we can have good Borrowers for; and conſequently have a great deal more Profit, and alſo do a great deal more Good to the Nation.*

§. 12. *I*

§. 12. *I will beg leave to say, we have been in a fault with respect to ourselves and to the* Scots *Nation for many Years past, by not extending our Lendings much more than we have done: and if any thing will encourage another Bank to set up against us, it will be our not serving the Kingdom more.*

§. 13. *Every body is sensible how beneficial it has been to the Publick, even by the little Value we have lent it has gain'd the good Opinion of the Nation in general, and engaged particular Persons to be much in its Interest; and the lending to a much greater Value, and to a great many more People, will encrease this good Opinion, and obtain to us yet more Friends: And our Security for our Bills being so good, and the Management so fair and honest, We shall always subsist.*

§. 14. *What I have said in these last Paragraphs is of the greatest moment, and deserves your serious Consideration, least your refusing to lend to any who offer you good Security, their Complaint for such refusal may encourage a Body of People, who may fall into a better way than the late Society, to set up; and though they may not go on with all the Advantage that we can, yet they would have Profit enough, and make us uneasy. But by what I have mentioned of lending to all good Borrowers, we shall secure the Bank against any such Undertaking;*

§. 15. *Especially if we agree to allot a part of the Profits that shall be over and above a very great Gain to the Adventurers (as suppose half of such Over-Profits) to the* POOR, *to be disposed of in such method as the Adventurers in a general Meeting, or as the Directors for the time being shall think best:*

§. 16. *And*

§. 16. *And this, if it were in my power, I would not only do out of Compaſſion to the Poor, but alſo out of Policy; for with this and the lending of Money to all good Borrowers, our Bank, as I mentioned in my laſt Letter, will ſtand in all times, and we ſhall endear the whole Nation to us, and gain a great Reputation.*

§. 17. *Mr.* Spence *writes me, that it's thought it will be for the Intereſt of the Bank not to draw out the laſt* 10th *Part paid in; for thereby the Bank will be enabled to lend proportionably more than they have done, and ſo encreaſe the Profits to the Adventurers:*

§. 18. *But if it be conſider'd, that the whole Subſcription is equally a Security for the Bills given out, as well as* 10,000 l. *firſt paid in is, there is no need of paying in more Money to enable the Bank to lend more:*

§. 19. *But this may not be underſtood; and beſides, as Mr.* Spence *ſays, we are upbraided for having ſo ſmall a Stock in hand; therefore I am of thoſe Gentlemens opinion, that would have this laſt Tenth remain.*

§. 20. *My Intereſt is concerned in this, but that neither ought nor ſhall ſtand againſt the Intereſt of the whole Adventurers:*

§. 21. *Beſides, I have hitherto had ſuch Proofs of their Kindneſs and Juſtice (tho by unforeſeen Accidents it hath not proved much to my Advantage) that I have no reaſon to fear the Continuance of their Kindneſs for the time to come.*

§. 22. *And if hereafter any further Part of the Subſcription ſhould be called for, I would deſire in ſuch caſe that a competent time may be allowed me, or my Sons after me, for raiſing the ſame from mine or their Effects.*

I am, &c.

John Holland.

I ſhall now make ſome Remarks on the foregoing Letter.

§. 5. *In caſe any of the Securities we take ſhould prove defective*, &c.

We ſhould not be too ſcrupulouſly nice in lending; becauſe if ſome few Securities ſhould prove deficient, they will be abundantly anſwer'd by the Profits ariſing from the many good Securities by an extenſive Circulation: and I do not know any Way of Trade where there is not a poſſibility of Loſs in ſome particular Branches. Add that where the Securities are any ways ſuſpicious, you may lend leſs Sums, and make the Bills payable at a ſhort Date.

§. 6, 7, 8, &c.

Theſe Paragraphs are both plain in Theory, and have, to the Advantage of the Adventurers, prov'd true in Fact, and well deſerve your ſerious Conſideration.

I ſhall here beg leave to recommend the Poor to your Care, and acquaint you, That this Charity, the Hopes of cloathing the Naked and feeding the Hungry, animated this good Man, more than the Concern for his own Family, to go on; though his Eyes failed him that he could not read, and his Conſtitution was broke by ſtudying and labouring for the Publick Good.

§ 17, 18, 19, &c. *Mr.* Spence *writes me, that 'tis thought 'twill be for the Intereſt of the Bank*, &c. Though

Though my Father was ſo complaiſant to agree with the Directors as to the laſt Tenth paid in, hoping that it would encourage them to extend the Credit of the Bank, as they promiſed; yet I muſt tell you, he often declared it was entirely againſt his Opinion. For he well knew, That 10,000 *l.* would circulate any given Sum, and that the Profits to the Adventurers muſt decreaſe as the Capital Stock was increas'd, becauſe 20 *per Cent.* Profit on 10,000 *l.* is but 10 *per Cent.* on 20,000 *l.*

Beſides, that this new Call preſs'd particularly hard on his *Contract*; but he always took care to make his own private Intereſt depend on the Publick Good:

If the Adventurers gain, he ſhares the Profits with them: If they loſe, he ſuffers with them.

We could never underſtand by Letters, nor can I learn from any Gentlemen in Town, the Advantage accruing to the Proprietors from the laſt Tenth paid in.

If they add it to the firſt 10,000 *l.* and double the Stock, half the Profits to the Adventurers will be diminiſhed.

If they lend it out at 5 *per Cent.* we ſeem to have paid our Money to ſet up a private Bank againſt the Publick.

I hope you will conſider of this Affair, whether 'tis conſiſtent with the Good of the Bank, or order it to be repaid to the Adventurers.

§. 22. I believe my Father's Requeſt will alſo appear reaſonable to you,

That the Gentlemen in *England*, in caſe of any Call, may be allowed a competent Time, conſidering the Hazard and Uncertainty of Remittances, to pay in their Subſcriptions; and it would be much to their Satisfaction, if your Secretary was ordered to take a Receipt from the Poſtmaſter of the Letters wrote on that occaſion, and to deliver thoſe Receipts to the Directors; beſides giving notice by an Advertiſement in the *London* Gazette.

The following Letter was wrote to Mr. *Marjoribanks* by my Father, after a quarter of a Year's Expectation of an Anſwer to his Letters.

SIR, Breewood, 15 Octob. 1720.

I *Have before me yours of the 21ſt of* July: *You would have ſooner heard from me, but that I have been almoſt ever ſince in expectation of receiving a Letter from Mr.* Spence, *or by him from the Directors in anſwer to mine to them, which would have been very acceptable to me. You will believe, that my Concern for the Advantage of the Bank of* Scotland *is not leſs than the Intereſt I have in it; and therefore I beg leave to repeat my Requeſt to you, that you'll mention at your meeting with the Court of Directors, that Mr.* Spence *may have leave to correſpond with me about the Affairs of the Bank, and how their Thoughts are of what I lately wrote to them; ſurely I muſt have wrote ſomething*

thing that is taken amiſs, or elſe I flatter myſelf I ſhould have had ſome Anſwer. I told you in my laſt, that a little time would diſcover the Fraud of the South-Sea *Scheme*, &c. * * * * *
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When I hear from Scotland, *I ſhall in return make ſome Obſervations for the benefit of our Bank in relation to Credit from the Demands made on the Bank, Sword-Blade Company, and Goldſmiths in this time of great Confuſion and Diſtruſt. I will only add now, that it may eaſily be conceived how the Bank of* Scotland, *which doth not lend Money but upon good Security, is carried on in an open, fair, and honeſt Method, and known by all, may with ſafety extend their Lendings, and conſequently encreaſe their Profits, and be abundantly more ſerviceable to the Publick. What we have done hitherto, there are ſeveral Goldſmiths in* London (*whoſe Subſtance and Honeſty is not known to any beſides themſelves*) *that do lend out much more Money than we that are a National Bank, and the beſt-conſtituted Society in* Europe.

This Unkindneſs, I muſt confeſs, ſenſibly affected him; and I can't forbear mentioning ſome of his Expreſſions on that Occaſion:

'Have I, *ſaid he*, Night and Day ſtudied 'to ſerve them in Diſtreſs, and worn out 'with Infirmities, with much Pains and La'bour ſent them my Thoughts; and are 'they not worthy to be conſider'd by the 'Directors, and ought not they, by the 'Rules of the Bank, to lay them before a 'General Meeting? Have I contriv'd ſo

'many

'many excellent Checks in the Manage-
'ment, and yet ſhall Letters of Conſe-
'quence be neglected, and no Notice taken
'of the Adventurers, who ought to be con-
'ſulted when any thing material is offered
'to the Bank?'

Then indeed he began to ſuſpect that the private Intereſt of particular Men interfered with the publick Intereſt of the Bank: That if the Bank gave Encouragement, and lent to all good Borrowers, private Bankers would want Cuſtomers.

But I am willing to hope the Confuſion occaſion'd by *South-Sea* was the Reaſon why theſe Letters were not conſider'd by the Directors, and laid before a General Meeting; becauſe then, and only then, they did wiſely diſcourage Borrowers, to prevent the Money of the Kingdom being exported, and ſwallow'd by our inſatiable *South-Sea* Monſter.

The chief Objections I have heard, are contained in a Letter from Mr. *Marjoribanks*, dated *March* 2. 1721. You ſhall have what relates to the Bank in his own Words, that they may have their full force, and be a Foundation for ſome uſeful Obſervations.

SIR, Edinb. 2 March 1721.

MR. Levingſton *deliver'd me a Paper of your Thoughts, whereby the Bank might enlarge their Lending much; I have communicated it to* David Spence, *and ſeveral of our Directors: but if you'll conſider, if we did lend much*

much Money, whenever there was a Run on the Bank, all our Bills would be in upon us, (for moſt of them circulate in and about this Place) and if we were run out of Caſh, we ſhould as formerly be forced to declare Intereſt on our Bills at 5 per Cent. *until we were in a Condition to pay them, and the Money we have lent pays only four and a half* per Cent. *Intereſt: So that we could make no Profit until we called in as much Money from our Debitors, or Proprietors, as would pay off our Bank-Bills. And this was the Method we were formerly forced to take, when we laſt ſtopt Payment; otherwiſe we had never been able to have recover'd our Credit. The Bank is now in as good Reputation as ever, notwithſtanding all its Enemies, and a continued Exportation of Money ever ſince* March *laſt, and it's ſtill going out to* London *and* Holland *to ſupport many of our Countrymens great Loſſes in* South-Sea, *&c.*

I anſwer, If any future Invaſion or publick Diſorder ſhould happen near *Edinburgh*, it would be proper to pay out the Money in Bank as faſt as poſſible; becauſe the only Danger of any conſiderable Loſs is from having a great Value in Specie lying by them.

You may, if you pleaſe, alſo declare 5 *per Cent.* Intereſt on your Bills, without any danger of Loſs; becauſe People that underſtand the Conſtitution of the Bank, know that the Securities for the Bills are good, and will be glad to give Money for them; they being more ſafely kept and eaſily convey'd in time of Danger, and alſo bearing Intereſt.

By

By theſe means the Run will be ſoon over, and the Bank recover a greater Credit (as it has already ſtood the Shock of two Invaſions) when People begin to conſider.

And is it not time for us to conſider that we have been wanting to ourſelves and the Nation in general, by not enlarging our Lendings for fear of imaginary Evils? Have I not ſhewn from Reaſon, have not former Experiences demonſtrated that our Bank will ſtand ſecure in the worſt of Times? And ſhall we be afraid to extend our Credit, and make a certain Encreaſe of Profit to the Adventurers, *&c.* becauſe a Time may poſſibly come (though God be thanked there is no probability, *Teucro Duce & Auſpice Teucro*) when we may allow for a Week, Fortnight, or Month, ½ *per Cent.* more than we have for Years received.

It is worth obſerving here, that tho the Bank ſtood the great Shock of the Rebellion in 1716, and thereby got immortal Credit, by demonſtrating to the whole Nation the Reality of their Securities, *&c.* yet ever ſince that time, inſtead of encreaſing their Lendings, they have refuſed Borrowers, and conſequently the Profits of the Bank have decreaſed, although there has been Ten Thouſand Pounds extraordinary called in from the Adventurers.

I have heard of an Objection whiſper'd in the Ears of a Friend of mine in *Edinburgh*,

burgh, That it might not be ſafe to make a great Dividend, leſt the Bank and People of *England* ſhould be jealous, *&c.*

The Bank of *England* indeed may envy, but, as we don't interfere with them, can never hurt us; eſpecially when, by doing a great deal of Good, we engage all the Gentlemen of Quality and Eſtates in our Intereſt.

It may here be proper to put you in mind that my Father's chief Deſign in erecting this Bank was to lend on *Land*.

I will alſo obſerve to you, that Bills on Regiſtred Eſtates are not mere *Paper Credit*, but real Securities, of equal Value with Silver or Gold, becauſe thoſe Bills or Mortgages entitle the Lenders, on Non-Payment, to the Land itſelf; which is not ſubject to the Uncertainties attending Perſonal Securities and Money in Caſh.

'Tis our Glory that we can with a Trifle circulate a conſiderable Value:

That all the Bills we give out are ſo many additional Sums to the current Coin, which will encreaſe Trade, and employ the Poor.

By this means Money will be more plentiful, the Gentlemen of Eſtates may borrow at a moderate Intereſt, to pay their Debts, improve their Lands, or give Portions to their Children.

The Uſurer and Banker may ſeem to ſuffer by the flouriſhing Condition of the Bank; but the Merchants and Traders, as well as the People in general, will find great Convenience by it: and even the private

Banker may make a conſiderable Uſe of the Bank, by well managing his Credit, Bills, *&c.*

I will beg leave here to recommend to you a Propoſal made by a Noble Lord about two Years ago to the Bank of *England*; viz. To lend Money on their Stock without further Security. This may be a great Convenience to Gentlemen that happen to want a little Money in *Edinburgh*; and you have the Stock pawn'd as Security in your own hands, and make a Profit to the Bank.

I hope it will not be objected to me, That by explaining the Excellency of our Conſtitution, and pointing out the Methods of promoting its true Intereſt, I have expoſed our Scheme, ſo that others may engraft an Oppoſition, *&c.*

If any have theſe Apprehenſions, I can with Pleaſure anſwer,

That I can put you in a way of demoliſhing ſuch an Undertaking immediately.

That I have not only in my Thoughts, but in Writing left me by my Father, new and ſurprizing Methods to ſupport the Credit of the Bank beyond what you would imagine, and even to ſecure It againſt any Run that may happen.

You may believe he was capable of doing this, becauſe he never deceived your Expectations in any thing he promiſed.

But it may not be proper to tell you more at preſent, till I am better inform'd of your Methods of Proceeding.

I propoſe ſoon to live in *London*, ſo ſhall have the Opportunity my Father ſo much wanted and wiſh'd for, of converſing with the Gentlemen of your Nation.

I have explain'd to you ſome of the Methods of extending the Credit of your Bank, promoting the Publick Good, and encreaſing the Profits of the Proprietors. To you it belongs, by prudent Management, to put them in Execution.

For my own Part, I can ſincerely aſſure you that I have the Welfare of our Bank very much at heart, and ſhall embrace all Opportunities of promoting its true Intereſt, in which I doubt not but you will concur with me, and believe me,

Your Faithful and

moſt Humble Servant,

London,
Febr. 2.
1722-3.

Richard Holland.